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§ 501. Exemption from tax on corporations, certain trusts, etc.

- (a) Exemption from taxation

An organization described in subsection (c) or (d) or section [401\(a\)](#) shall be exempt from taxation under this subtitle unless such exemption is denied under section [502](#) or [503](#).

- (b) Tax on unrelated business income and certain other activities

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

- (c) List of exempt organizations

The following organizations are referred to in subsection (a):

- (1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation -
 - (A) is exempt from Federal income taxes -
 - (i) under such Act as amended and supplemented before July 18, 1984, or
 - (ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or
 - (B) is described in subsection (l).
- (2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.
- (3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or

intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

- (4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.
- (5) Labor, agricultural, or horticultural organizations.
- (6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.
- (7) Clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.
- (8) Fraternal beneficiary societies, orders, or associations -
 - (A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and
 - (B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.
- (9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.
- (10) Domestic fraternal societies, orders, or associations, operating under the lodge system -
 - (A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and
 - (B) which do not provide for the payment of life, sick, accident, or other benefits.
- (11) Teachers' retirement fund associations of a purely local character, if -
 - (A) no part of their net earnings inures (other than through payment of retirement benefits) to the benefit of any private shareholder or individual, and
 - (B) the income consists solely of amounts received from public taxation, amounts received from assessments on the teaching salaries of members, and income in respect of investments.
- (12)(A) Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.
 - (B) In the case of a mutual or cooperative telephone company, subparagraph (A) shall be applied without taking into account any income received or accrued -

- (i) from a nonmember telephone company for the performance of communication services which involve members of the mutual or cooperative telephone company,
 - (ii) from qualified pole rentals,
 - (iii) from the sale of display listings in a directory furnished to the members of the mutual or cooperative telephone company, or
 - (iv) from the prepayment of a loan under section [306A](#), [306B](#), or [311](#) of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).
- (C) In the case of a mutual or cooperative electric company, subparagraph (A) shall be applied without taking into account any income received or accrued -
 - (i) from qualified pole rentals, or
 - (ii) from the prepayment of a loan under section [306A](#), [306B](#), or [311](#) of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).
- (D) For purposes of this paragraph, the term "qualified pole rental" means any rental of a pole (or other structure used to support wires) if such pole (or other structure) -
 - (i) is used by the telephone or electric company to support one or more wires which are used by such company in providing telephone or electric services to its members, and
 - (ii) is used pursuant to the rental to support one or more wires (in addition to the wires described in clause (i)) for use in connection with the transmission by wire of electricity or of telephone or other communications. For purposes of the preceding sentence, the term "rental" includes any sale of the right to use the pole (or other structure).
- (13) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for the purpose of the disposal of bodies by burial or cremation which is not permitted by its charter to engage in any business not necessarily incident to that purpose and no part of the net earnings of which inures to the benefit of any private shareholder or individual.
- (14)(A) Credit unions without capital stock organized and operated for mutual purposes and without profit.
 - (B) Corporations or associations without capital stock organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of shares or deposits in -
 - (i) domestic building and loan associations,
 - (ii) cooperative banks without capital stock organized and operated for mutual purposes and without profit,
 - (iii) mutual savings banks not having capital stock represented by shares, or
 - (iv) mutual savings banks described in section 591(b)

(FOOTNOTE 1)

(FOOTNOTE 1) So in original. Probably should be followed by a period.

- (C) Corporations or associations organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for associations or banks described in clause (i), (ii), or (iii) of subparagraph (B); but only if 85 percent or more of the income is attributable to providing such reserve funds and to investments. This subparagraph shall not apply to any corporation or association entitled to exemption under subparagraph (B).
- (15)(A) Insurance companies or associations other than life (including interinsurers and reciprocal underwriters) if the net written premiums (or, if greater, direct written premiums) for the taxable year do not exceed \$350,000.
 - (B) For purposes of subparagraph (A), in determining whether any company or association is described in subparagraph (A), such company or association shall be treated as receiving during the taxable year amounts described in subparagraph (A) which are received during such year by all other companies or associations which are members of the same controlled group as the insurance company or association for which the determination is being made.
 - (C) For purposes of subparagraph (B), the term "controlled group" has the meaning given such term by section [831\(b\)\(2\)\(B\)\(ii\)](#).
- (16) Corporations organized by an association subject to part IV of this subchapter or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or [8](#) percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, on dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof; nor shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose.
- (17)(A) A trust or trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits, if -
 - (i) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities, with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of supplemental unemployment compensation benefits,

- (ii) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section [414\(q\)](#)), and
 - (iii) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section [414\(q\)](#)). A plan shall not be considered discriminatory within the meaning of this clause merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.
- (B) In determining whether a plan meets the requirements of subparagraph (A), any benefits provided under any other plan shall not be taken into consideration, except that a plan shall not be considered discriminatory -
 - (i) merely because the benefits under the plan which are first determined in a nondiscriminatory manner within the meaning of subparagraph (A) are then reduced by any sick, accident, or unemployment compensation benefits received under State or Federal law (or reduced by a portion of such benefits if determined in a nondiscriminatory manner), or
 - (ii) merely because the plan provides only for employees who are not eligible to receive sick, accident, or unemployment compensation benefits under State or Federal law the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such laws if such employees were eligible for such benefits, or
 - (iii) merely because the plan provides only for employees who are not eligible under another plan (which meets the requirements of subparagraph (A)) of supplemental unemployment compensation benefits provided wholly by the employer the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such other plan if such employees were eligible under such other plan, but only if the employees eligible under both plans would make a classification which would be nondiscriminatory within the meaning of subparagraph (A).
- (C) A plan shall be considered to meet the requirements of subparagraph (A) during the whole of any year of the plan if on one day in each quarter it satisfies such requirements.
- (D) The term "supplemental unemployment compensation benefits" means only -
 - (i) benefits which are paid to an employee because of his involuntary separation from the employment of the employer (whether or not such separation is temporary) resulting directly

from a reduction in force, the discontinuance of a plant or operation, or other similar conditions, and

- (ii) sick and accident benefits subordinate to the benefits described in clause (i).
- (E) Exemption shall not be denied under subsection (a) to any organization entitled to such exemption as an association described in paragraph (9) of this subsection merely because such organization provides for the payment of supplemental unemployment benefits (as defined in subparagraph (D)(i)).
- (18) A trust or trusts created before June 25, 1959, forming part of a plan providing for the payment of benefits under a pension plan funded only by contributions of employees, if -
 - (A) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of benefits under the plan,
 - (B) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section [414\(q\)](#)),
 - (C) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section [414\(q\)](#)). A plan shall not be considered discriminatory within the meaning of this subparagraph merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan, and
 - (D) in the case of a plan under which an employee may designate certain contributions as deductible -
 - (i) such contributions do not exceed the amount with respect to which a deduction is allowable under section [219\(b\)\(3\)](#),
 - (ii) requirements similar to the requirements of section [401\(k\)\(3\)\(A\)\(ii\)](#) are met with respect to such elective contributions,
 - (iii) such contributions are treated as elective deferrals for purposes of section [402\(g\)](#) (other than paragraph (4) thereof), and
 - (iv) the requirements of section [401\(a\)\(30\)](#) are met. For purposes of subparagraph (D)(ii), rules similar to the rules of section [401\(k\)\(8\)](#) shall apply. For purposes of section [4979](#), any excess contribution under clause (ii) shall be treated as an excess contribution under a cash or deferred arrangement.
- (19) A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization -
 - (A) organized in the United States or any of its possessions,

- (B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, or widowers of past or present members of the Armed Forces of the United States or of cadets, and
 - (C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.
- (20) an (FOOTNOTE 2) organization or trust created or organized in the United States, the exclusive function of which is to form part of a qualified group legal services plan or plans, within the meaning of section [120](#). An organization or trust which receives contributions because of section [120\(c\)\(5\)\(C\)](#) shall not be prevented from qualifying as an organization described in this paragraph merely because it provides legal services or indemnification against the cost of legal services unassociated with a qualified group legal services plan.

(FOOTNOTE 2) So in original. Probably should be capitalized.

- (21)(A) A trust or trusts established in writing, created or organized in the United States, and contributed to by any person (except an insurance company) if -
 - (i) the purpose of such trust or trusts is exclusively - (I) to satisfy, in whole or in part, the liability of such person for, or with respect to, claims for compensation for disability or death due to pneumoconiosis under Black Lung Acts, (II) to pay premiums for insurance exclusively covering such liability, (III) to pay administrative and other incidental expenses of such trust in connection with the operation of the trust and the processing of claims against such person under Black Lung Acts, and (IV) to pay accident or health benefits for retired miners and their spouses and dependents (including administrative and other incidental expenses of such trust in connection therewith) or premiums for insurance exclusively covering such benefits; and
 - (ii) no part of the assets of the trust may be used for, or diverted to, any purpose other than - (I) the purposes described in clause (i), (II) investment (but only to the extent that the trustee determines that a portion of the assets is not currently needed for the purposes described in clause (i)) in qualified investments, or (III) payment into the Black Lung Disability Trust Fund established under section [9501](#), or into the general fund of the United States Treasury (other than in satisfaction of any tax or other civil or criminal liability of the person who established or contributed to the trust).
- (B) No deduction shall be allowed under this chapter for any payment described in subparagraph (A)(i)(IV) from such trust.
- (C) Payments described in subparagraph (A)(i)(IV) may be made from such trust during a taxable year only to the extent that the aggregate amount of such payments during such taxable year does not exceed the lesser of -

- (i) the excess (if any) (as of the close of the preceding taxable year) of - (I) the fair market value of the assets of the trust, over (II) 110 percent of the present value of the liability described in subparagraph (A)(i)(I) of such person, or
 - (ii) the excess (if any) of - (I) the sum of a similar excess determined as of the close of the last taxable year ending before the date of the enactment of this subparagraph plus earnings thereon as of the close of the taxable year preceding the taxable year involved, over (II) the aggregate payments described in subparagraph
 - (A)(i)(IV) made from the trust during all taxable years beginning after the date of the enactment of this subparagraph. The determinations under the preceding sentence shall be made by an independent actuary using actuarial methods and assumptions (not inconsistent with the regulations prescribed under section [192\(c\)\(1\)\(A\)](#)) each of which is reasonable and which are reasonable in the aggregate.
- (D) For purposes of this paragraph:
 - (i) The term "Black Lung Acts" means part C of title IV of the Federal Mine Safety and Health Act of 1977, and any State law providing compensation for disability or death due to that pneumoconiosis.
 - (ii) The term "qualified investments" means - (I) public debt securities of the United States, (II) obligations of a State or local government which are not in default as to principal or interest, and (III) time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(6) (FOOTNOTE 3) of the Federal Credit Union Act, 12 U.S.C. 1752(6)) (FOOTNOTE 3) located in the United States.

(FOOTNOTE 3) So in original. References to "101(6)" and "1752(6)" probably should be to "101(7)" and "1752(7)", respectively.

 - (iii) The term "miner" has the same meaning as such term has when used in section [402\(d\)](#) of the Black Lung Benefits Act (30 U.S.C. 902(d)).
 - (iv) The term "incidental expenses" includes legal, accounting, actuarial, and trustee expenses.
- (22) A trust created or organized in the United States and established in writing by the plan sponsors of multiemployer plans if -
 - (A) the purpose of such trust is exclusively -
 - (i) to pay any amount described in section [4223\(c\)](#) or (h) of the Employee Retirement Income Security Act of 1974, and

- (ii) to pay reasonable and necessary administrative expenses in connection with the establishment and operation of the trust and the processing of claims against the trust,
 - (B) no part of the assets of the trust may be used for, or diverted to, any purpose other than -
 - (i) the purposes described in subparagraph (A), or
 - (ii) the investment in securities, obligations, or time or demand deposits described in clause (ii) of paragraph (21)(B),
 - (C) such trust meets the requirements of paragraphs (2), (3), and (4) of section [4223\(b\)](#), [4223\(h\)](#), or, if applicable, section [4223\(c\)](#) of the Employee Retirement Income Security Act of 1974, and
 - (D) the trust instrument provides that, on dissolution of the trust, assets of the trust may not be paid other than to plans which have participated in the plan or, in the case of a trust established under section [4223\(h\)](#) of such Act, to plans with respect to which employers have participated in the fund.
- (23) Any association organized before 1880 more than 75 percent of the members of which are present or past members of the Armed Forces and a principal purpose of which is to provide insurance and other benefits to veterans or their dependents.
- (24) A trust described in section [4049](#) of the Employee Retirement Income Security Act of 1974 (as in effect on the date of the enactment of the Single-Employer Pension Plan Amendments Act of 1986).
- (25)(A) Any corporation or trust which -
 - (i) has no more than 35 shareholders or beneficiaries,
 - (ii) has only 1 class of stock or beneficial interest, and
 - (iii) is organized for the exclusive purposes of - (I) acquiring real property and holding title to, and collecting income from, such property, and (II) remitting the entire amount of income from such property (less expenses) to 1 or more organizations described in subparagraph (C) which are shareholders of such corporation or beneficiaries of such trust. For purposes of clause (iii), the term "real property" shall not include any interest as a tenant in common (or similar interest) and shall not include any indirect interest.
- (B) A corporation or trust shall be described in subparagraph
 - (A) without regard to whether the corporation or trust is organized by 1 or more organizations described in subparagraph
- (C). (C) An organization is described in this subparagraph if such organization is -
 - (i) a qualified pension, profit sharing, or stock bonus plan that meets the requirements of section [401\(a\)](#),
 - (ii) a governmental plan (within the meaning of section [414\(d\)](#)),
 - (iii) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, or
 - (iv) any organization described in paragraph (3).

- (D) A corporation or trust shall in no event be treated as described in subparagraph (A) unless such corporation or trust permits its shareholders or beneficiaries -
 - (i) to dismiss the corporation's or trust's investment adviser, following reasonable notice, upon a vote of the shareholders or beneficiaries holding a majority of interest in the corporation or trust, and
 - (ii) to terminate their interest in the corporation or trust by either, or both, of the following alternatives, as determined by the corporation or trust: (I) by selling or exchanging their stock in the corporation or interest in the trust (subject to any Federal or State securities law) to any organization described in subparagraph (C) so long as the sale or exchange does not increase the number of shareholders or beneficiaries in such corporation or trust above 35, or (II) by having their stock or interest redeemed by the corporation or trust after the shareholder or beneficiary has provided 90 days notice to such corporation or trust.
 - (E)(i) For purposes of this title - (I) a corporation which is a qualified subsidiary shall not be treated as a separate corporation, and (II) all assets, liabilities, and items of income, deduction, and credit of a qualified subsidiary shall be treated as assets, liabilities, and such items (as the case may be) of the corporation or trust described in subparagraph (A). (ii) For purposes of this subparagraph, the term "qualified subsidiary" means any corporation if, at all times during the period such corporation was in existence, 100 percent of the stock of such corporation is held by the corporation or trust described in subparagraph (A).
- (iii) For purposes of this subtitle, if any corporation which was a qualified subsidiary ceases to meet the requirements of clause (ii), such corporation shall be treated as a new corporation acquiring all of its assets (and assuming all of its liabilities) immediately before such cessation from the corporation or trust described in subparagraph (A) in exchange for its stock. (F) For purposes of subparagraph (A), the term "real property" includes any personal property which is leased under, or in connection with, a lease of real property, but only if the rent attributable to such personal property (determined under the rules of section [856\(d\)\(1\)](#)) for the taxable year does not exceed 15 percent of the total rent for the taxable year attributable to both the real and personal property leased under, or in connection with, such lease. (G)(i) An organization shall not be treated as failing to be described in this paragraph merely by reason of the receipt of any otherwise disqualifying income which is incidentally derived from the holding of real property. (ii) Clause (i) shall not apply if the amount of gross income described in such clause exceeds 10 percent of the organization's gross income for the taxable year unless the organization establishes to the satisfaction of the Secretary that the receipt of gross income described in clause (i) in excess of such limitation was inadvertent and reasonable steps are being taken to correct the circumstances giving rise to such income.
- (d) Religious and apostolic organizations

The following organizations are referred to in subsection (a): Religious or apostolic associations or corporations, if such associations or corporations have a common treasury or community treasury, even if such associations or corporations engage in business for the common benefit of the members, but only if the members thereof include (at the time of filing their returns) in their gross income their entire pro rata shares, whether distributed or not, of the taxable income of the association or corporation for such year. Any amount so included in the gross income of a member shall be treated as a dividend received.

- (e) Cooperative hospital service organizations

For purposes of this title, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if -

- (1) such organization is organized and operated solely -
 - (A) to perform, on a centralized basis, one or more of the following services which, if performed on its own behalf by a hospital which is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), would constitute activities in exercising or performing the purpose or function constituting the basis for its exemption: data processing, purchasing (including the purchasing of insurance on a group basis), warehousing, billing and collection, food, clinical, industrial engineering, laboratory, printing, communications, record center, and personnel (including selection, testing, training, and education of personnel) services; and
 - (B) to perform such services solely for two or more hospitals each of which is -
 - (i) an organization described in subsection (c)(3) which is exempt from taxation under subsection (a),
 - (ii) a constituent part of an organization described in subsection (c)(3) which is exempt from taxation under subsection (a) and which, if organized and operated as a separate entity, would constitute an organization described in subsection (c)(3), or
 - (iii) owned and operated by the United States, a State, the District of Columbia, or a possession of the United States, or a political subdivision or an agency or instrumentality of any of the foregoing;
- (2) such organization is organized and operated on a cooperative basis and allocates or pays, within 8 1/2 months after the close of its taxable year, all net earnings to patrons on the basis of services performed for them; and
- (3) if such organization has capital stock, all of such stock outstanding is owned by its patrons. For purposes of this title, any organization which, by reason of the preceding sentence, is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), shall be treated as a hospital and as an organization referred to in section [170\(b\)\(1\)\(A\)\(iii\)](#).
- (f) Cooperative service organizations of operating educational organizations

For purposes of this title, if an organization is -

- (1) organized and operated solely to hold, commingle, and collectively invest and reinvest (including arranging for and supervising the performance by independent contractors of investment services related thereto) in stocks and securities, the moneys contributed thereto by each of the members of such organization, and to collect income therefrom and turn over the entire amount thereof, less expenses, to such members,
- (2) organized and controlled by one or more such members, and
- (3) comprised solely of members that are organizations described in clause (ii) or (iv) of section [170\(b\)\(1\)\(A\)](#) -
 - (A) which are exempt from taxation under subsection (a), or
 - (B) the income of which is excluded from taxation under section [115\(a\)](#), then such organization shall be treated as an organization organized and operated exclusively for charitable purposes.
- (g) Definition of agricultural

For purposes of subsection (c)(5), the term "agricultural" includes the art or science of cultivating land, harvesting crops or aquatic resources, or raising livestock.

- (h) Expenditures by public charities to influence legislation
 - (1) General rule

In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally -

- (A) makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year, or
- (B) makes grass roots expenditures in excess of the grass roots ceiling amount for such organization for each taxable year.
- (2) Definitions

For purposes of this subsection -

- (A) Lobbying expenditures

The term "lobbying expenditures" means expenditures for the purpose of influencing legislation (as defined in section [4911\(d\)](#)).

- (B) Lobbying ceiling amount

The lobbying ceiling amount for any organization for any taxable year is 150 percent of the lobbying nontaxable amount for such organization for such taxable year, determined under section [4911](#).

- (C) Grass roots expenditures

The term "grass roots expenditures" means expenditures for the purpose of influencing legislation (as defined in section [4911\(d\)](#) without regard to paragraph (1)(B) thereof).

- (D) Grass roots ceiling amount

The grass roots ceiling amount for any organization for any taxable year is 150 percent of the grass roots nontaxable amount for such organization for such taxable year, determined under section [4911](#).

- (3) Organizations to which this subsection applies

This subsection shall apply to any organization which has elected (in such manner and at such time as the Secretary may prescribe) to have the provisions of this subsection apply to such organization and which, for the taxable year which includes the date the election is made, is described in subsection (c)(3) and -

- (A) is described in paragraph (4), and
 - (B) is not a disqualified organization under paragraph (5).
- (4) Organizations permitted to elect to have this subsection apply

An organization is described in this paragraph if it is described in -

- (A) section [170\(b\)\(1\)\(A\)\(ii\)](#) (relating to educational institutions),
 - (B) section [170\(b\)\(1\)\(A\)\(iii\)](#) (relating to hospitals and medical research organizations),
 - (C) section [170\(b\)\(1\)\(A\)\(iv\)](#) (relating to organizations supporting government schools),
 - (D) section [170\(b\)\(1\)\(A\)\(vi\)](#) (relating to organizations publicly supported by charitable contributions),
 - (E) section [509\(a\)\(2\)](#) (relating to organizations publicly supported by admissions, sales, etc.), or
 - (F) section [509\(a\)\(3\)](#) (relating to organizations supporting certain types of public charities) except that for purposes of this subparagraph, section [509\(a\)\(3\)](#) shall be applied without regard to the last sentence of section [509\(a\)](#).
- (5) Disqualified organizations

For purposes of paragraph (3) an organization is a disqualified organization if it is -

- (A) described in section [170\(b\)\(1\)\(A\)\(i\)](#) (relating to churches),
 - (B) an integrated auxiliary of a church or of a convention or association of churches, or

- (C) a member of an affiliated group of organizations (within the meaning of section [4911\(f\)\(2\)](#)) if one or more members of such group is described in subparagraph (A) or (B).
- (6) Years for which election is effective

An election by an organization under this subsection shall be effective for all taxable years of such organization which -

- (A) end after the date the election is made, and
- (B) begin before the date the election is revoked by such organization (under regulations prescribed by the Secretary).
- (7) No effect on certain organizations

With respect to any organization for a taxable year for which -

- (A) such organization is a disqualified organization (within the meaning of paragraph (5)), or
- (B) an election under this subsection is not in effect for such organization, nothing in this subsection or in section [4911](#) shall be construed to affect the interpretation of the phrase, "no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation," under subsection (c)(3).
- (8) Affiliated organizations For rules regarding affiliated organizations, see section

4911(f).

- (i) Prohibition of discrimination by certain social clubs

Notwithstanding subsection (a), an organization which is described in subsection (c)(7) shall not be exempt from taxation under subsection (a) for any taxable year if, at any time during such taxable year, the charter, bylaws, or other governing instrument, of such organization or any written policy statement of such organization contains a provision which provides for discrimination against any person on the basis of race, color, or religion. The preceding sentence to the extent it relates to discrimination on the basis of religion shall not apply to -

- (1) an auxiliary of a fraternal beneficiary society if such society -
 - (A) is described in subsection (c)(8) and exempt from tax under subsection (a), and
 - (B) limits its membership to the members of a particular religion, or
- (2) a club which in good faith limits its membership to the members of a particular religion in order to further the

teachings or principles of that religion, and not to exclude individuals of a particular race or color.

- (j) Special rules for certain amateur sports organizations
 - (1) In general

In the case of a qualified amateur sports organization -

- (A) the requirement of subsection (c)(3) that no part of its activities involve the provision of athletic facilities or equipment shall not apply, and
- (B) such organization shall not fail to meet the requirements of subsection (c)(3) merely because its membership is local or regional in nature.
- (2) Qualified amateur sports organization defined

For purposes of this subsection, the term "qualified amateur sports organization" means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports.

- (k) Treatment of certain organizations providing child care

For purposes of subsection (c)(3) of this section and sections [170\(c\)\(2\)](#), 2055(a)(2), and [2522\(a\)\(2\)](#), the term "educational purposes" includes the providing of care of children away from their homes if -

- (1) substantially all of the care provided by the organization is for purposes of enabling individuals to be gainfully employed, and
- (2) the services provided by the organization are available to the general public.
- (l) Government corporations exempt under subsection (c)(1)

For purposes of subsection (c)(1), the following organizations are described in this subsection:

- (1) The Central Liquidity Facility established under title III of the Federal Credit Union Act (12 U.S.C. 1795 et seq.).
- (2) The Resolution Trust Corporation established under section [21A](#) of the Federal Home Loan Bank Act.

- (3) The Resolution Funding Corporation established under section [21B](#) of the Federal Home Loan Bank Act.
- (m) Certain organizations providing commercial-type insurance not exempt from tax
 - (1) Denial of tax exemption where providing commercial-type insurance is substantial part of activities

An organization described in paragraph (3) or (4) of subsection (c) shall be exempt from tax under subsection (a) only if no substantial part of its activities consists of providing commercial-type insurance.

- (2) Other organizations taxed as insurance companies on insurance business

In the case of an organization described in paragraph (3) or (4) of subsection (c) which is exempt from tax under subsection (a) after the application of paragraph (1) of this subsection -

- (A) the activity of providing commercial-type insurance shall be treated as an unrelated trade or business (as defined in section [513](#)), and
- (B) in lieu of the tax imposed by section [511](#) with respect to such activity, such organization shall be treated as an insurance company for purposes of applying subchapter L with respect to such activity.
- (3) Commercial-type insurance

For purposes of this subsection, the term "commercial-type insurance" shall not include -

- (A) insurance provided at substantially below cost to a class of charitable recipients,
- (B) incidental health insurance provided by a health maintenance organization of a kind customarily provided by such organizations,
- (C) property or casualty insurance provided (directly or through an organization described in section [414\(e\)\(3\)\(B\)\(ii\)](#)) by a church or convention or association of churches for such church or convention or association of churches,
- (D) providing retirement or welfare benefits (or both) by a church or a convention or association of churches (directly or through an organization described in

section [414\(e\)\(3\)\(A\)](#) or [414\(e\)\(3\)\(B\)\(ii\)](#) for the employees (including employees described in section [414\(e\)\(3\)\(B\)](#)) of such church or convention or association of churches or the beneficiaries of such employees, and

- (E) charitable gift annuities.
- (4) Insurance includes annuities

For purposes of this subsection, the issuance of annuity contracts shall be treated as providing insurance.

- (5) Charitable gift annuity

For purposes of paragraph (3)(E), the term "charitable gift annuity" means an annuity if -

- (A) a portion of the amount paid in connection with the issuance of the annuity is allowable as a deduction under section [170](#) or [2055](#), and
- (B) the annuity is described in section [514\(c\)\(5\)](#) (determined as if any amount paid in cash in connection with such issuance were property).
- (n) Cross reference For nonexemption of Communist-controlled organizations, see section [11\(b\)](#) (FOOTNOTE 4) of the Internal Security Act of 1950 (64 Stat. 997; 50 U.S.C. 790(b)).

(FOOTNOTE 4) See References in Text note below.